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**Public Service Commission**

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April 11, 1996

APR 12 1996

**BY FEDERAL EXPRESS**

FEDERAL EXPRESS

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

Re: Federal-State Joint Board on Universal Service --  
CC Docket No. 96-45

Dear Mr. Caton:

Enclosed is the original and twelve copies, plus a diskette, of the Florida Public Service Commission's comments in the above docket. Please date-stamp one copy and return it in the enclosed self-addressed stamped envelope.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cynthia B. Miller".

Cynthia B. Miller  
Associate General Counsel

CBM/jb  
Enclosure

cc: International Transcription Service  
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BEFORE THE FEDERAL COMMUNICATIONS COMMISSION

In the Matter of:

Federal-State Joint Board on  
Universal Service

CC Docket No. 96-45

COMMENTS OF THE  
FLORIDA PUBLIC SERVICE COMMISSION

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On March 8, 1996, the Federal Communications Commission (FCC) issued its Notice of Proposed Rulemaking (NPRM) and Order Establishing Joint Board in order to implement key portions of Section 254, Universal Service, of the Telecommunications Act of 1996 (the Act). The Florida Public Service Commission (FPSC) is pleased to provide comments on these issues of major importance.

**Summary.** Based on our review, the FCC's NPRM basically requests comments in four major areas. First, Section 254 of the Act indicates that consumers in rural and high-cost areas should have access to service at rates reasonably comparable to those charged in urban areas. Accordingly, comment is requested concerning what explicit funding mechanism is necessary to ensure this goal is met. Second, comment is sought on how to ensure that low-income consumers have access to telecommunications services. Third, the Act has special provisions which indicate that rural health care providers and educational institutions and libraries should have access to advanced services at discounted rates; comment is requested on such issues as what services should be provided and at what prices. Fourth, the FCC requests comment on its proposal to eliminate the interstate carrier common line (CCL) charge and existing Long-Term Support (LTS) system.

Given the time available and page limitation imposed, the FPSC

has not devoted equal effort on all areas. Instead, we focused our efforts on those numerous issues associated with explicit Universal Service (US) support for rural/high-cost areas and low-income consumers. Next, we provide general comments concerning advanced services for rural health care providers and schools and libraries. Last, we briefly discuss the FCC's proposals concerning the interstate CCL and the LTS system, and explain why we do not believe that it is urgent that these matters be dealt with now.

II. The first principle directs the FCC to ensure that quality service is available at just, reasonable and affordable rates. The FPSC believes that the Act contemplates three contexts in which the issue of affordability arises. First, in light of the goal to ensure that service is available in rural and high cost areas, the cost of providing universal service may exceed a level which is deemed reasonable to be recovered directly through local rates. Here, affordability should pertain to an otherwise efficient provider's cost to serve in comparison to an end user price that is reasonably comparable to that charged in other areas. Second, with respect to low-income consumers and perhaps other populations which tend to have below-average telephone penetration, the issue of affordability largely relates to at what reduced price should such individuals be able to receive service, so as to maximize their subscribership and afford them enhanced employment and informational opportunities. Third, the Act envisions certain groups (notably, schools, libraries, and rural health care providers) being able to obtain more advanced, specialized

telecommunications services at reduced rates. Presumably, affordability in this instance would be a function of the extent to which offering a set of services at discounted prices promotes broad social goals that benefit all citizens. (§ 4)

Other principles and factors should be considered when determining the services that should receive federal universal service support. First, we acknowledge that the Act requires that the US support mechanism must be equitable and nondiscriminatory. Since every telecommunications carrier that offers interstate telecommunications services must contribute to federal mechanisms, we agree with the FCC that this requires that any support mechanism must be explicit and competitively neutral. In order for a federal US mechanism to be truly competitively neutral, all similarly situated providers should have access to funding. Accordingly, we believe it follows inexorably that an overhaul of all existing explicit federal support mechanisms is necessary.

Second, while we strongly agree that existing US support mechanisms should be revamped, the FPSC would contend that the public interest is best served by a phased implementation of any new mechanisms. The procompetitive stance of the Act is the primary reason that existing support mechanisms are not sustainable. However, competitive entry will not occur uniformly. New providers are incented to offer services initially in those areas where high volume, relatively low cost consumers reside; such areas tend to be dense urban markets. Only over time, as they gain a customer base, will entrants tend to expand to adjacent areas. As

a result, care must be exercised to ensure that any mechanism designed to comport with and foster competition does not have an unduly adverse impact. If a new mechanism were flashcut, it could cause significant revenue disruptions for some incumbent providers, especially those serving rural and high-cost areas. (§ 8)

With respect to the four criteria enumerated in Section 254(c)(1), we strongly endorse the FCC's interpretation that the use of the verb "consider" allows selection of services for support that do not meet all four criteria. The Joint Board has been afforded fairly wide latitude in this area, subject primarily to a service being available from a provider and that providing federal US support for it is deemed to be in the public interest. (§ 9)

**III.A.** As alluded to above, the FPSC does not believe we can provide a "one size fits all" set of criteria for measuring affordability. Rather, we believe that relevant factors can only be proposed once a specific context has been identified.

In evaluating affordability with respect to rural and high-cost customers, we believe the relevant context derives from the notion of universal service embodied in the 1934 Communications Act, and subsequent actions by the FCC and state commissions in implementing this policy. The provision of a core set of services at affordable rates and available to all consumers has been a longstanding tenet of communications policy in this country. Based on statistics published by the FCC, aggregate telephone penetration has been sustained in the range of 93-94% for several years. Current studies suggest that to improve telephone subscribership,

programs targeted to under-represented groups (e.g., low-income consumers) would be more effective than downward changes in overall rates for basic service.

Given these conclusions and since the FPSC believes that the core group of services that warrant federal support for rural/high-cost areas is essentially residential basic service, we believe that a reasonable affordability benchmark would be the nationwide average rate for residential service. According to a recent FCC publication (Reference Book: Rates, Price Indexes, and Household Expenditures for Telephone Service) including subscriber line charges, touchtone, taxes and 911 charges, this amount as of October 1994 was approximately \$20.00.

We would initially propose that an analogous rate should be the threshold for receiving federal US support for rural/high-cost areas. We believe it is appropriate for all telecommunications providers (and thus their customers) to contribute in order to sustain affordable rates in rural and high-cost areas. However, it is inappropriate for consumers in other states to be required to contribute funds indirectly through their rates to sustain telephone rates for LECs in other states at levels that are significantly below the nationwide average. Where this occurs, we believe that it is proper for the state to assume funding responsibility for this decrement below the norm. (§ 14)

Comment is also requested on whether the principle enunciated in Section 254(b)(2) that "...access to advanced telecommunications and information services should be provided in all regions of the

Nation...." should be understood as requiring that access to all such services be available nationwide. The FPSC believes that this is more properly interpreted as a goal, and should not be understood as a mandate. In addition to the apparent conflict between letting the marketplace decide how and when services should be made available, understanding this principle as a mandate would disregard the direction provided elsewhere in the Act that the availability of advanced services is constrained in part by whether their deployment is technically and economically feasible. (§ 14)

**B.1.** The FPSC endorses as a starting point the FCC's proposal to include the following core services as being eligible for funding: (a) voice grade access to the public switched network with the ability to make and receive calls; (b) touchtone; (c) single-party service; and (d) access to emergency services and operator services. However, we believe some refinements and some additions are warranted. (§ 16)

First, we would specify that the single-party service is flat-rated; the FCC proposal is ambiguous. Second, we would clarify that unlimited calling in the local calling area is provided. Third, a more generic terminology, dual tone multi-frequency (DTMF), should be used rather than touch-tone. Fourth, access to emergency services in general should be provided, rather than being restricted to 911. We believe these refinements are fully consistent with the standards specified in section 254(c)(1) and should be incorporated in the FCC's proposed definition.

We do not believe it is necessary to provide federal US

support funding for business services. Virtually all studies and analyses of which we are aware indicate that the rates currently charged for business local service are compensatory and thus do not require subsidization. In contrast, we believe that the longstanding goal of promoting universal service relates to maximizing the number of households (residences) that have telephone service. To the extent that business services may require support, we believe that the various states would be better able to identify where such needs existed and provide appropriate funding from intrastate sources.

The FPSC proposes that three additional capabilities be included: access to available interexchange carriers (IXCs) and to directory assistance (DA), and a white pages directory listing. In our view, the ability to place a long distance call with one's carrier of choice and to call DA to obtain another subscriber's telephone number are considered as intrinsic to local service. Similarly, not having one's name, address, and telephone number able to appear in a telephone directory would tend to devalue basic phone service for all subscribers. We believe that these additional features comport with the Act's standards, in that they are widely available, subscribed to by the majority of customers, and have been deemed to be in the public interest. By way of clarification we would note, however, that we do not believe that inclusion of these items should affect federal funding levels. Providing access to IXCs does not impose costs not already recovered through other means (via switched access charges, for



example), and calls to directory assistance, like use of operator services, are often chargeable calls. Regarding the provision of a white page listing, we believe that this should be treated as a requirement imposed on an eligible telecommunications carrier for which explicit recovery is not warranted. Further, it is likely not a burden, since providers are able to generate additional revenues from the sale of designer white page listings. (§16-23)

The FPSC does not believe that requiring a provider to offer these services in order to be designated an eligible telecommunications carrier (and thus subject to receive US support) would be unduly burdensome or have any adverse competitive effect. Since incumbent providers offer this package on a nearly ubiquitous basis, it is highly unlikely that a potential competitor in the residential market would be successful without providing services at least comparable, if not better, than the incumbent. (§ 17)

**2.a.** The FPSC believes that a benchmark rate level should be established to be used in determining required federal universal service support amounts. Once set, we believe that the resulting rate explicitly defines an "affordable" level, relative to a need for federal funding; it then follows that any rate charged by a rural local provider for the core group of services that approximates this level is "reasonably comparable" to rates assessed in urban areas. This result occurs because the various rates used to compute the average would tend implicitly to be weighted more heavily towards the rates of larger LECs, who generally serve the majority of urban areas. (§ 25)

Given this approach, the FCC, would not necessarily base federal support levels on achieving specific end-user prices. As discussed below, the benchmark rate would be used in conjunction with an estimate of the cost of providing the core group of services, to yield the required support amount. However, individual state commissions could still authorize rates that deviated from the benchmark level. We believe that it likely will be necessary to reexamine the benchmark level periodically, especially as competition in local service becomes more widespread. (§ 25-26)

**2.b.** As noted in the NPRM, two of the primary explicit federal US support mechanisms -- the high cost fund and DEM weighting -- are embedded in the Part 36 rules. Given the Act's mandate that support mechanisms should be explicit and Congress' intent to create a procompetitive deregulatory policy framework, the FPSC believes universal service support, at least ultimately, must be provider-neutral. We believe it is clear that the desire for a deregulatory telecommunications environment effectively rules out modification of Part 36 rules. Moreover, it likely would be a massive undertaking merely to rework these two existing mechanisms to apply to such entities as nonwireline carriers, an effort which we do not believe is justified. Accordingly, we believe that a new mechanism must be developed in order to compute the required US support, and to collect and disburse support monies. (§ 30)

The major candidate to compute the cost of providing the core group of services for which federal US support should be provided appears to be the Benchmark Cost Model (BCM). The outputs of this

proxy cost model, used in conjunction with a specified benchmark rate, can yield estimates of the required level of explicit subsidy to ensure that consumers in rural, high-cost areas are afforded the availability of core services at reasonable prices. (§ 31)

Our preliminary review of the BCM has identified certain key advantages. First, the BCM attempts to estimate on a forward-looking basis the costs of providing basic local service. Since the model is forward-looking in identifying the types and location of facilities required, the resulting network configurations (and costs) are not based on those of any existing provider and thus are provider-neutral. Second, the model "builds" the facilities to offer local service for relatively small geographic areas. Rather than performing cost analyses for an existing provider's overall service territory, current exchanges, or wire centers, the BCM uses census block groups (CBGs), which are defined by the Bureau of the Census as a geographic area containing roughly 400 households. Third, unlike many cost models used in the telecommunications industry, the BCM is public. (§ 31-34)

However, the BCM does have flaws and limitations. The BCM is based on providing local service using a wireline network and thus currently is not technology neutral. Because the model uses households as a proxy for telephones, it does not include business lines; this exclusion could yield slight overestimates, since business customers often tend to be clustered in a small area and thus may have shorter loop lengths and higher densities. Various parties have noted other limitations, such as the BCM's assumption

that customers are uniformly distributed in a CBG, and that the model does not always adequately account for such variables as slope and terrain. (§ 31)

On balance, the FPSC believes that the BCM is the most promising proposal to compute the relevant costs to be used in deriving required universal service support. While no cost model can be perfected to cover all possible situations, we provisionally endorse the BCM as the basis for computing the costs of providing the core group of basic services. (§ 31-34)

In addition to the technical refinements that are ongoing, there also are other unresolved matters regarding the model (most notably, how to derive the cost factors used to convert investments to costs). Unfortunately, until these matters are resolved and new model runs performed and evaluated for the states and various incumbent providers, we cannot be more definitive as to the specific steps required to yield the subsidy amounts.

Although we see merit after entry has occurred in using a competitive bidding process to establish the level of subsidies for rural, high-cost areas, we are uncertain whether such a procedure would conflict with Section 214(e). Our uncertainty arises from whether the result of such a bidding process would, explicitly or implicitly, exclude certain carriers from a given service area. In particular, Section 214(e)(2) indicates that a state commission shall designate multiple eligible telecommunications carriers in service areas other than those served by rural telephone companies. Needless to say, whether there may be a conflict would depend on

the specific details of the auction proposal. We believe it is not critical that this issue be resolved immediately.

2.c. Given that the Joint Board is not scheduled to issue its recommendation until November 1996, the FPSC believes it is reasonable and appropriate to extend the current cap on the allowed rate of growth in the Universal Service Fund until efforts in this proceeding have been completed. We do not believe that there would be any adverse impacts due to this temporary extension. (§ 40)

We believe that the Act permits any actions in this proceeding that affect recipients of existing funding to be phased in over a transitional period. The magnitude of the changes contemplated in this proceeding are far-reaching and potentially could affect not just incumbent providers but virtually all providers of telecommunications services. We do not believe that it is possible that all ramifications of the changes to universal service policy can be discerned prior to implementation. While there may be a redistribution of US support funds, it is not at all clear what correlative impacts will occur due to the other statutory changes. (§ 40)

Faced with this degree of uncertainty and the importance of the universal service issue, we would propose that a three to five year phase-in be considered. While it may be appropriate to commence collections of monies from an expanded group of entities at the outset, we believe the FCC should be cautious regarding changing the total amount of funding provided and altering the current distribution of these funds. To the extent that the process outlined above results in a change in the total level of

funding and significant (e.g., greater than 5% or 10%) changes in the amount of funds provided to current recipients, these changes should be phased-in uniformly over five years. If presently unforeseen effects occur during this transition period, a phase-in also will provide the opportunity to make any appropriate refinements to the new mechanism. (§ 40)

3. The Act indicates that only "eligible telecommunications carriers" can receive universal service support, and leaves it to the various state commissions to designate a carrier as an eligible telecommunications carrier. The FPSC envisions that designation of a provider as an eligible carrier would be handled as an adjunct to our certification process. Assurance that the requirements of Section 214(e) are being met also could be dealt with in state rulemaking proceedings. (§ 41-43)

Regarding the definition of "service area" as it relates to a carrier's eligibility to receive funding, we note that in Florida alternative local exchange companies (ALECs) are granted certification on a statewide basis. For the foreseeable future we would envision that ALECs would align themselves with existing LEC exchanges or wire centers for purposes of determining availability of US funding. Alternatively, if separate funding levels are established and maintained for each CBG (as opposed to aggregating at the exchange or wire center level), then by default each CBG would constitute a service area for purposes of eligibility for federal US support. (§ 44-45)

Comment is also requested on how to ensure that, in accord

with Section 214(e), eligible carriers advertise the availability of their services and rates they charge for them. We are uncertain whether appropriate guidelines applicable to all states could be formulated even to define what constitutes a "media of general distribution." It is not clear that it would be appropriate to specify one or more approved forms that should apply to every provider. We suggest that this provision could be left to the individual states to resolve. (§ 46)

C. Toll Limitation Services. Evidence in Florida indicates that penetration for toll blocking services ranged from 2.65% to 16% of residential subscriber lines. We can conclude that toll blocking services have been subscribed to by a material minority of residential customers. We believe that subscribership could be increased through information services or increased incentives for consumers to avail themselves of these products. Additionally, the LECs should be provided with inducements to "sell" these services to the consumer. (§ 54)

We believe the cost of providing toll limiting services is minimal. As discussed below, we also believe that the use of such programs is beneficial to the carrier through savings on uncollectible accounts. Considerable administrative and other costs can be spared by assisting the low-income consumer to better manage his telecommunications budget. Involuntary discontinuance of service is a costly procedure for the carrier, often with none of the bill recovered. Keeping consumers connected also assures the carrier a continued revenue stream. Thus, we believe the benefits to the

carrier outweigh the minimal cost of such programs. Accordingly, we recommend that support be included under the current discount amount, without additional funding. (§ 54)

Reduced Service Deposit. We believe that a reduced or zero deposit could provide a reasonable incentive for voluntary toll restriction or limiting. Such a limitation would enable the low-income consumer to enjoy all other services already determined in Florida to be necessary components of universal service, but would not necessarily preclude access to interexchange carriers. Rather, toll usage could be limited rather than totally blocked. (§ 56)

We noted in our subscribership comments that, of the total number of customers who were disconnected from Southern Bell's network for some reason in July 1995, 31% were disconnected for failure to pay their bills. It was our conclusion that, while we were unable to determine what portion of the non-payments were for long distance, we believed that a substantial portion was for long distance charges. Since toll bills appear to be a primary reason for involuntary termination of telephone service among low-income users, programs which aid the consumer in better managing telephone usage could be of particular value in enhancing connectivity among low-income consumer groups. (§ 56)

The payment of a deposit can pose a formidable obstacle to obtaining service. In Florida, deposits are typically based on estimated charges for one month of local service, and two months of toll. Additionally, consumers who have been subject to involuntary disconnection will automatically be assessed a high deposit. By



allowing consumers to pre-set their spending limit in exchange for a reduced or zero deposit, this obstacle is reduced. (§ 56)

We envision that, once a pre-set toll limit is reached, the customer would be notified that toll calls will be blocked until payment is made. If a customer expects a large toll bill, an amount could be pre-paid to avoid exceeding the limit. The pre-paid amount would be applied to the next bill. Customers should also be able to obtain their toll balance by calling the company.

Other services that could be used to meet the goals of such a program would be limited use toll services, such as prepaid toll cards and other voluntary usage programs. Such cards could be used in conjunction with toll limitation services and smaller deposits to enable the low-income user to enjoy all the benefits already found to be essential to the public good.

Some level of universal service support might be necessary, particularly for smaller LECs who may not have funds to spend up front to establish programs. However, in Florida it was estimated that the reduction in non-collectible accounts would be three times the cost of a toll-limiting program over a three-year period, thus creating a substantial savings for the LEC. Accordingly, we believe the benefits may outweigh the cost. Further, these programs can be implemented by the companies without need for additional regulation, thus meeting the goal of minimizing regulatory intervention. (§ 56)

2. New Support Mechanisms. We believe the programs currently available, with some expansion, are sufficient to promote

connectivity among low-income consumer groups. By expanding existing programs, rather than creating new programs to meet the evolving needs of universal service, the FCC's goals can be achieved with minimal additional regulation. Currently, consumers defined as low-income include those persons receiving state assistance. In Florida, those programs include welfare and food stamp programs. We believe an expansion of that definition to reach the working poor is appropriate. An additional means test that would be reasonable would be evidence that the consumer receives an Earned Income Credit (EIC) on the federal income tax return. While undoubtedly some consumers receive both, such a system might allow low-income consumers to receive support, even though they do not receive other types of aid. (§ 59)

We recommend that a fixed dollar amount of discount on supported services be selected. For example, many states participate in Plan 2 of Lifeline, under which the FCC provides a waiver of the \$3.50 SLC charge and the states contribute a matching amount, bringing the total discount to \$7.00. We believe it would be appropriate to continue that amount. The customer should be allowed to apply the discount to any of the services included for universal service, including measured service. (§ 59)

In order to be technologically and competitively neutral, funding should be portable and customer-specific, rather than carrier specific. Targeted groups might consist of customers in high-cost areas, as well as individual customers meeting certain income tests. The same would apply for schools, libraries, and

rural health care facilities. A targeted universal service subsidy for high-cost groups could aid in assuring that carriers receive compensation only in those circumstances in which costs related to specific customers exceed revenues from those customers. (§ 60)

Funds could be pooled and made available to all groups. We believe it is unnecessary to have a different fund for each program or social goal. All providers who offer approved services to the targeted groups would be eligible to draw from such an overall fund. Further analysis is needed to develop a method that would meet the needs of all groups, consumers and carriers alike. (§ 60)

Existing Support Mechanisms. As discussed above, the FPSC has proposed expansion of existing programs to include consumer groups not currently being reached, such as the working poor. However, we have not proposed a change to the level of support on an individual basis. Although it would appear that such changes would have a revenue effect, we do not know what the potential change in levels of subscribership would be over current levels. It is also not clear that all potential consumers have been reached under Lifeline and Link Up under the current eligibility criteria. It is possible that changes in the total amount of funding required, even without changes to the level of funding for each individual, could be substantial. (§ 65)

D. In this era of decreased regulatory oversight, quality of service is of paramount importance. There should be measurement standards for carriers so that the public can make informed choices. Basic standards should apply to all providers. At a

minimum, it is important to monitor performance and provide the consumers with data that would enable them to determine whether the quality of service is acceptable. Comparative data could be provided for service areas, with groupings of both rural and urban areas. (§ 69)

Currently, the FPSC tests certain items for IXC's on a periodic basis and prepares a report for consumer use. Those items include timing accuracy, billing per tariff, and rating accuracy for both direct-dialed and calling card calls. Additionally, testing includes call completion and transmission noise levels. For LEC's, we measure and report on such network items as call completions, transmission levels, timing and billing criteria. Testing takes place every one to three years, depending on the size of the LEC. If other states have comparable programs, we do not believe additional reporting at the Federal level is necessary. By relying on those measurement criteria and sources already in place, with expansion as needed to include new carriers, we believe the desired results can be achieved with minimal additional cost and regulatory intervention. At the same time, this level of data can be provided to consumers to allow them to compare data among companies and make informed choices as to which carriers meet their needs. (§ 69)

**IV.A.** Section 254(c)(3), allows for the designation of additional services as universal service for eligible schools and libraries. Presently, the Florida Distance Learning Network (FDLN) board has been given the charge of coordinating, enhancing, and serving as a resource center for advanced telecommunications

services and distance learning in all public education delivery systems. For schools (K-12), to date the FDLN seems to prefer DS1 as the prescribed minimum functionality. (§ 71)

This implies that services at or above the minimum functionality should receive discounted connections and, under certain circumstances, a discount on recurring charges. The likely candidates for the additional services to be included in the definition of US for eligible schools and libraries could include voice-grade Internet access lines, 56 kbps digital services, ISDN-BRI or other similar services. (§ 71)

**B.1.** We recommend that surveys be conducted to determine the appropriate mix of services to be provided. Consideration should be given to what other funding is available to make sure that discounted services can actually be put to use. For example, if a DS1 is available to a school that does not have funding for equipment to use it, that school might be better served with POTS. As stated in our comments to NTIA in its Universal Service:

advanced services could emerge first through "centers of technology" at schools, community centers or libraries in sparsely populated rural areas, economically disadvantaged inner-city areas or anywhere the enormous cost of deploying ubiquitous advanced information technology may not be initially justified based on actual demand. This approach of first providing centralized availability, rather than ubiquitous availability and subscription, would allow market forces to dictate infrastructure deployment while providing access to those who desire it. (§ 78)

**2.a.** We have no comment on the specific prices to be charged with the exception that discounts should not bring prices below cost. We would suggest that all carriers eligible for universal

service funding share equally in provision of the discounted services, so that no one carrier is subjected to the entire burden. If all costs are covered, there may be no need for additional funding to cover the discounts. (§ 83)

C.2. For rural health care providers, we recommend that discounts be derived in a manner consistent with the method selected for schools and libraries. Equitable distribution of the customers to be served among eligible telecommunications providers, so long as the rates are at least equal to long-run incremental cost, may preclude the need for funding. (§ 100)

VI. In the NPRM the FCC asserts that

...the imposition of per-minute charges [i.e., the CCL] on one class of service -- interstate interexchange long distance -- to reduce flat rates for end users (with the goal of increasing telephone subscribership) appears to constitute a universal service support flow. (§ 113)

It is stated that the interstate CCL appears to be in conflict with the Act because it is not explicit and is not recovered on a nondiscriminatory basis from all providers of interstate telecommunications services. Given this characterization, the NPRM proceeds to inquire how the interstate CCL should be reduced or eliminated, and from what other sources the resulting revenue shift should be recovered (such as by increasing SLCs). (§ 113-114)

We do not believe increases to the SLC are warranted. The result would be a blanket increase to local rates, without benefit to targeted programs or consumer groups. Rather, we would recommend evaluating what the overall impact of the elimination of the subsidies in Part 36 would have on rates as whole, before going

forward with any specific plan. Although the current funding scheme may not be viable in the long run, caution should be exercised to avoid harmful effects. (§ 114)

We agree that there is merit in reducing or eventually eliminating the interstate CCL. It would also be appropriate in the future to eliminate the existing Long Term Support (LTS) payment system. However, we do not agree that the interstate CCL is, strictly speaking, a universal service support mechanism. As noted in the NPRM, the CCL was designed to recover loop costs allocated to the interstate jurisdiction; the CCL is not a US support mechanism, except in the sense that the costs recovered through the CCL are not being recovered directly from end users.

We do not believe it is critical to deal with elimination of LTS at this time. If it must be addressed now, we would tentatively propose that rather than eliminate Long Term Support, it should be added to a fund for distribution to all eligible carriers under whatever explicit high cost mechanism is adopted. We recommend a three to five year transition period. Companies currently receiving long-term support would likely receive support under the new scenario, albeit at different amounts. (§ 115)

In Florida, small LECs may remain under rate base regulation at their option until 2001. Until that date or until a small LEC elects price caps, there can be no competitive entry. Thus, the small LEC would remain the only eligible land-line carrier in its service area. Small LECs would have sufficient opportunity to adjust to the loss of Long Term Support over a phase-in period as

needed, without causing rate shock for its customers. (§ 115)

While we acknowledge the flaws in the CCL, we do not believe that it is essential that it be overhauled immediately in order to comply with the Act. The existence of the CCL does not discriminate against nonLEC providers of local service, and does not impede their entry. The FPSC believes that issues involving recovery of interstate loop costs should be dealt with at a later time and in a calmer environment.

Dealing with this matter now, especially in light of the probable changes in explicit US support devices, could have unintended and drastic impacts. If the interstate CCL charge were eliminated in Florida and these costs shifted to the intrastate jurisdiction, we estimate that the impact would result in an increase of approximately \$3.50 per month for every access line. The elimination of these charges could also provide a windfall to the IXCs that currently pay the charges, with no guarantee that the benefits would be passed through to the consumers. Although competition might ensure some flow-through, its effect undoubtedly would not be immediate. (§ 114)

**VII.A.** The FPSC is unable to provide an exhaustive response as to how financial responsibility should be divided between telecommunications carriers, because this implementation issue hinges on the specific mechanisms selected and the scope of services and individuals they encompass. With this caveat, we would note that the entities who would be subject to any intrastate US financial responsibility would in all likelihood significantly



overlap those on the interstate side. We would recommend that once the FCC determines how extensive its universal service mechanisms should be (and thus should be funded from interstate telecommunications carriers), the individual states are free to expand the list of services and consumer groups for which we believe additional support is warranted. (§ 117)

**B.1.** At this time, the FPSC believes that it is appropriate to restrict universal service assessments to telecommunications carriers only. We have concerns that subjecting all providers, which could include data base and "online" services, to universal service funding requirements could be highly problematic. At a minimum, we believe that this expanded definition would include enhanced service providers; we are concerned that assessing this group might unduly impede their introduction of new services, contrary to the Act's overall intent. Further, we are uncertain precisely what all types of entities would be subsumed under this broader definition. If it is subsequently determined that the overall funding requirement needs to be spread over a larger group of firms to minimize competitive impacts, it may be appropriate to consider such alternatives as differential rates of assessments. For now, however, we recommend a conservative course. (§ 119)

The FPSC agrees that de minimis rules are appropriate to exempt very small providers from US contribution. For the very small carriers, the amount of funds to be collected could easily exceed the cost of administration. Further analysis will be needed after some of the initial decisions have been made. (§ 120)